

Overview of key SEC changes to money market fund rules

The charts below provide a summary of the Securities and Exchange Commission's recently adopted amendments to its money market fund rules.

Reform	Implementation dates	Description
Retail investor definition	2 years	Retail money market funds will be defined as funds limiting beneficial owners to natural persons. Beneficial ownership by natural persons includes interests held through personal trusts, broker sweep accounts, IRAs, SEP, Simple and KEOGH plans, section 457 deferred compensation plans, 401(k) and other participant-directed defined contribution pension and employee benefit plans, 529 college savings accounts and tax-advantaged medical and health savings accounts or those held through omnibus accounts at custodians for the benefit of natural persons.
Floating net asset value	2 years	Impose a floating net asset value (NAV) requirement on certain money market funds: <ul style="list-style-type: none"> ■ Institutional-prime and institutional-municipal funds must float their NAVs per share to the nearest 1/100th of a cent (e.g. \$1.0000).
Fees and gates	2 years	Impose a fees and gates rule on all money market funds (except government funds) as follows: <ul style="list-style-type: none"> ■ Fund boards will have discretion to impose either a liquidity fee of up to 2% or a temporary suspension of redemptions (gate) if a fund's level of weekly liquid assets falls below 30% of its total assets and the board determines that the fee or gate is in the best interest of the fund's shareholders. ■ Fund boards will be required to impose a liquidity fee of 1% if a fund's level of weekly liquid assets falls below 10%, unless the board determines it is not in the best interests of the fund's shareholders. ■ Gates are limited to no more than 10 business days and the fund's board may lift the gate sooner. ■ The SEC stated that it expects fees and gates will be used only rarely, in extreme circumstances when needed to protect the interests of fund shareholders.
Material event reporting	9 months	Funds will have to promptly disclose certain events: <ul style="list-style-type: none"> ■ Portfolio security defaults. ■ Sponsor or fund affiliate support, including the amount of support and reason for support and – for retail and government funds – any decrease in the fund's market-based NAV per share below \$0.9975. ■ Imposition or removal of liquidity fees or gates (2 years to implement).
Disclosure	18 months	New requirements include the following: <ul style="list-style-type: none"> ■ Website disclosure – Daily disclosure of daily and weekly liquid assets, net shareholder inflows or outflows, market-based NAVs per share, imposition of fees and gates and any affiliate sponsor support. ■ Disclosure of sponsor support – Funds will be required to provide in their Statements of Additional Information (SAIs) disclosure regarding any occasion during the last 10 years (beginning with sponsor or affiliate support after the implementation date) where the fund received sponsor or fund affiliate support.

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Diversification	18 months	<ul style="list-style-type: none"> ■ Aggregation of affiliates – Funds will be required to treat certain entities that are affiliated with each other as single issuers for purposes of the 5% issuer diversification limit. ■ Amendment of the “25% basket” for guarantees – The rules change the so-called 25% basket that permits as much as a quarter of the value of securities held in a money fund to be subject to guarantees or demand features from one or two institutions. For tax-exempt funds, the basket is limited to 15%; all other money-market funds are limited to 10% in any single institution. ■ Asset-backed securities – Funds will be required to treat sponsors of asset-backed securities as guarantors subject to the 10% diversification limit applicable to guarantees and demand features.
Stress testing	18 months	<ul style="list-style-type: none"> ■ Augments existing stress-testing requirements by requiring each fund to test its ability to maintain weekly liquid assets of at least 10% and to minimize volatility under specific hypothetical stress scenarios.

As a part of the new rules, certain money funds will be permitted to maintain a stable NAV using the amortized cost method or penny rounding method to maintain a stable NAV of \$1.00. Both retail funds and government funds fall into this category. Government money market funds will be defined as funds that invest 99.5% or more of total assets in cash, government securities and/or repurchase agreements that are collateralized solely by cash or government securities, which falls in line with the manner in which Federated has historically run its government funds. Retail money market funds will be defined as funds limiting beneficial owners to natural persons.

Two years after the effective date of the reforms, institutional prime and municipal money market funds will be required to float their NAVs using market-based estimated values so that purchases and redemptions will be effected at prices rounded to the nearest 1/100th of one cent. Thus, fund share prices will be rounded to four decimal places, such as \$1.0001 or 0.9999.

Fund type	Net asset value	Liquidity fee/redemption gate
U.S. Treasury	Stable	No
Government	Stable	No
Retail prime	Stable	Yes
Retail municipal	Stable	Yes
Institutional prime	Floating	Yes
Institutional municipal	Floating	Yes

For more complete information, visit FederatedInvestors.com or contact your Federated representative by calling 1-800-341-7400 for a summary prospectus or prospectus. You should consider the fund's investment objectives, risks, charges, and expenses carefully before you invest. Information about these and other important subjects is in the fund's summary prospectus or prospectus which you should read carefully before investing.

An investment in money market funds is neither insured nor guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although money market funds seek to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in these funds.